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SUBJECT: CONGRESSMAN MEEKS MEETING WITH PRIME MINISTER

[11](#). (U) Summary: During his codel to Peru, Congressman Gregory Meeks met with Prime Minister Kuczynski to discuss the Peru Trade Promotion Agreement and the state of democracy in Peru. The Prime Minister provided a persuasive case on how the Agreement will boost the economy, emphasizing the creation of jobs in the formal sector. He also answered concerns about labor conditions and other issues. End Comment.

[12](#). (SBU) Congressman Gregory Meeks visited Peru on May 26-28 to meet with Peruvian leaders to discuss the U.S.-Peru trade agreement. In addition to Prime Minister Kuczynski, The Congressman met with President Toledo, business and labor representatives and Afro-Peruvians (septels). Congressman Meeks' Legislative Director Sophia King accompanied him in the meetings, as did Ambassador Struble and other embassy officers.

Economic Gains and Big Challenges

[13](#). (SBU) Congressman Meeks met with Prime Minister Pedro Pablo Kuczynski at the Ambassador's residence. The Congressman opened the meeting by explaining that before he makes up his mind on a free trade agreement vote, he likes to visit the country, meet the leaders and speak with the people.

[14](#). (SBU) The Prime Minister provided an overview of the economy, noting that the biggest challenge confronting Peru was job creation. Although the economy has been expanding for several years, Kuczynski explained, the large size of the informal sector was making job creation difficult. He reported that the informal sector had been reduced from 75 percent to 65 percent of the economy over the last four years due to Toledo Administration initiatives and the Andean Trade Promotion and Drug Eradication Act (ATPEA). The Prime Minister also listed infrastructure as an urgent priority. He reported that in some parts of the country, 60 percent of the population are without indoor plumbing and 90 percent of the sewage goes untreated.

Labor and Other Concerns - Better Than It Used to Be

[15](#). (SBU) Kuczynski then described the labor situation as in

a state of transition. The Fujimori Administration, reacting to an overly rigid labor regime, drastically loosened labor regulations, according to the Prime Minister. The result was a collapse of the formal sector and the simultaneous increase of the informal sector. There had been a swing back towards more labor protections under the Toledo Administration, Kuczynski said, but a number of labor reforms were still needed.

¶6. (SBU) Congressman Meeks asked about the charge that workers were not being allowed to organize. Kuczynski asserted that that was not the case. The Congressman then asked whether pay disparity indicated a systemic discrimination against the indigenous. The Prime Minister responded that, in mining, for instance, the difference in pay was accounted for by the level of technology. Open pit mines pay more since their workers use bigger equipment.

¶7. (SBU) Congressman Meeks then inquired about the State Department's Human Rights report, noting that opponents of the FTA are using it as evidence that Peru is not an acceptable partner for a trade accord. The Prime Minister responded that the human rights violations occurred during the Fujimori Administration. Ambassador Struble explained that the Human Rights report documents failures and goals, but it does not provide the full context or the trajectory of the improvements.

Poverty Eradication Plan

¶8. (SBU) Congressman Meeks asked whether Peru had in place a master plan for poverty reduction that would be maintained into the next administration. Kuczynski responded that the Toledo Administration had initiated a poverty program, which was programmed to expand in the next few years. He noted that education spending was currently four percent of GDP. Ambassador Struble added that Peru had in place several interwoven initiatives that included national infrastructure initiatives and education, and that a compensation package was being worked out for the companies adversely affected by the FTA.

Trade Vote - Why Now?

¶9. (SBU) The Congressman asked why it was necessary that the outgoing Congress ratify the FTA. The Prime Minister responded that delaying until the new Congress convened would mean that ratification would not take place until September 2006 at the earliest. Such a delay might inhibit passage in the U.S. Congress. Congressman Meeks reported that the perception in Washington is that the average Peruvian does not want the PTPA. Kuczynski reported that polls showed that between 60 and 85 percent of Peruvians are in favor. (Note: The May Datum poll showed support for the FTA at 53%. End Note)

Comment - Trade = Jobs - Poverty

¶10. (SBU) Prime Minister Kuczynski made a persuasive case why Peru needs the trade accord. Peru not only needs to create jobs, but also needs to expand the formal sector. The PTPA would do both. Kuczynski also makes the case that if the current economic expansion can be maintained, with the help of the PTPA, Peru could see significant job creation and consequent poverty reduction in the near to medium term.

¶11. (U) This cable was not cleared by Congressman Meeks' office.

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